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INTRODUCTION

CORY Place, Inc. entered into contracts #SFSC-04-09004, R-02-09001 and R-06-09001 with the Michigan Department of Human Services (DHS). Under the Strong Families Safe Children (SFSC) contract CORY Place Inc. was to develop a Positive Asset Building Skills services group for elementary students and/or families referred to them by DHS. The Runaway (R) contract requires them to provide crisis intervention, case management, counseling, community education and prevention services to youth ages 13-17. Collectively these contracts covered the period October 1, 2004 through September 30, 2006, and totaled \$309,551 (See Schedule B). CORY Place, Inc. was reimbursed for actual costs incurred in providing these services, through submission of monthly billings to DHS.

SCOPE

The Office of Internal Audit performed an audit of CORY Place, Inc. for the period October 1, 2004 through September 30, 2006. The purpose of our audit was to determine if their billings were accurate, and if the costs charged were allowable per the terms of the contract and properly supported by the accounting records and other supporting documentation. We also reviewed case files and other service documentation to determine if CORY Place, Inc. had all necessary information on file to document that they provided the required services to eligible clients.

EXECUTIVE SUMMARY

Based on our audit, we concluded that CORY Place, Inc. did not have adequate internal controls to ensure that billings were accurate and supported by the accounting records and other documentation. We found that CORY Place, Inc. has a detailed timekeeping system. However, the internal controls over the accounting records were not adequate and the costs were not properly supported by the accounting records and other supporting

documentation. CORY Place, Inc. did not properly separate approval and recording duties, and the general ledger did not include all costs associated with the programs and did not support the amount of billings submitted DHS. Also, CORY Place, Inc. overbilled DHS a net amount of \$1,488.51 on various contracts. (See Schedule A). We also found that CORY Place, Inc did not have the required participation letter to the parents on file for 2 of 11 (18%) cases we reviewed for the FY 2005 SFSC contract. All other cases reviewed contained the required documentation.

Our report recommends that the Children's Services Administration (CSA) ensure that CORY Place, Inc. implement corrective action to separate duties, properly account for expenses by program and retain required documentation in case files and that DHS recoup the net amount of \$1,488.51 overbilled by CORY Place, Inc (See Schedule A).

AGENCY RESPONSE

The management of the CORY Place, Inc has reviewed the findings and recommendations included in this report. They indicated in a telephone conversation on June 27, 2007 that they are in general agreement with the report, and corrective action is being taken on each of the findings.

FINDINGS AND RECOMMENDATIONS

All Contracts

General Ledger

1. CORY Place, Inc. did not prepare the billings from the general ledger and did not properly separate duties. Because the general ledger posting was not completed timely, the monthly expenditure reports were prepared from a worksheet which was prepared from time sheets, travel vouchers, and invoices. The same person who

approved the timesheets, payables and travel vouchers prepared the financial records and the billings. The general ledger should be the source document for the billings. Having the same person perform all the accounting functions with minimal oversight, and posting the expenses to the general ledger after the billings are prepared allows for inaccurate reporting and omission of some expenditures from the general ledger.

WE RECOMMEND that CSA instruct CORY Place, Inc. to post its general ledger timely and prepare Monthly Expenditure Reports from the approved expenditures posted to the general ledger.

WE FURTHER RECOMMEND that CSA ensure that CORY Place, Inc. properly separates the duties of processing payroll and purchasing from the duties of approval of expenditures and timesheets.

Improper Preparation of Form 941

2. CORY Place, Inc. did not accurately record the wages earned on the Form 941, Employer's Quarterly Federal Tax Return, for the quarter ending September 30, 2006. The wages reported on the Quarterly Tax Return were less than the actual amount earned by the employees. Reporting wages less than what was earned will result in underpayment of Federal and State tax each quarter, which could result in interest and penalties being imposed.

WE RECOMMEND that CSA ensure that CORY Place, Inc. revises the 941 Employer's Quarterly Federal Tax Return and pays the appropriate taxes.

R-02-09004-2

Salaries

3. CORY Place, Inc. underbilled salaries by \$2,237.31 because the actual payroll costs incurred were greater than the amount billed. (See Schedule A).

WE RECOMMEND that CSA ensure that CORY Place, Inc. includes all salaries expense in the general ledger to properly bill for the cost.

Fringes, Occupancy, and Communication

4. CORY Place, Inc. overbilled the occupancy, and communication line items by \$1,971.98, and \$265.33 respectively due to the documented cost being less than the amount billed. (See Schedule A).

WE RECOMMEND that CSA ensure that CORY Place, Inc. prepares the billing reports based on the amounts posted to the general ledger.

R-06-09001-1

Communication, Supplies, Local Transportation, Miscellaneous

5. CORY Place, Inc. overbilled the communication, supplies, local transportation, and miscellaneous expense by \$13.90, \$52.63, \$91.08 and \$663.32 respectively. The communication, supplies and local transportation are overbilled due to the documented cost being less than the amount billed. The miscellaneous line item was overbilled because CORY Place billed interest expense of \$301.53, which is not an allowable cost, and billed \$361.79 for expenses which they could not support. (See Schedule A).

WE RECOMMEND CSA ensure that CORY Place, Inc. prepares billings from the general ledger and bill for only those expenses that are actual, supported and allowable under the terms of the contract.

Equipment and Specific Assistance

6. CORY Place, Inc. underbilled the equipment and specific assistance line item by \$46.79 and \$774.14 respectively because the documented cost was more than the amount billed. (See Schedule A).

WE RECOMMEND CSA ensure that CORY Place, Inc. bills for all expenses incurred to provide the services in accordance with the contract.

SFSC-04-09004-2

Salaries, Fringes, and Supplies

7. CORY Place, Inc. overbilled the salaries, fringes, and supplies line item by \$670.91, \$412.79, \$400.01 respectively because the documented cost for the salaries, corresponding fringes, and supplies was less than the amount billed. (See Schedule A).

WE RECOMMEND that CSA ensure that CORY Place, Inc. bills only for those costs that are supported and properly documented.

Local Transportation

8. CORY Place, Inc. underbilled the local transportation line item by \$16.78 due to the documented cost of travel expense being more than the amount billed. (See Schedule A).

WE RECOMMEND that CSA ensure that CORY Place, Inc. properly bills for actual costs incurred.

Case File Documentation

9. We found that CORY Place, Inc. did not have the participation letter to the parents for 2 out of the 11 cases we reviewed. The participation letter was required by the contract to document that parents were notified and approved the services provided to their children.

WE RECOMMEND CSA ensure that CORY Place, Inc. completes all required forms for the case files.

SFSC-04-09004-3

Salaries and Supplies

10. CORY Place Inc. underbilled DHS for the salaries and supplies by \$102.54 and \$19.79 respectively due to the actual amount of salaries and supplies being greater than the amount billed.

WE RECOMMEND that CSA ensure that CORY Place Inc. properly bills for all expenses incurred under the contract.

Fringes and Local Transportation

11. CORY Place Inc. overbilled DHS \$497.26 and \$26.88 for fringe benefits and local transportation respectively. The fringe benefits included Insurance and Professional fee's that are not included in the contract budget as allowable costs. The local transportation line item is overbilled due to the lack of supporting documentation.

WE RECOMMEND CSA ensure that CORY Place Inc. properly bills for allowable expenses that are documented and supported.

Net Overbilling

12. CORY Place Inc. overbilled DHS by a net amount of \$1,488.51 as detailed in findings 3-11 of this report.

WE RECOMMEND that CSA initiate the process to recoup \$1,488.51 from CORY Place, Inc.

CORY Place, Inc.
Schedule A
Schedule of Over (Under) Billed Amounts

Contract	Line Item	Amount	
		Over (under) Billed	
R-02-09001	Salaries	(\$2,237.31)	
	Occupancy	\$1,972	
	Communication	\$265	\$0.00
R-06-09001			
	Communication	\$13.90	
	Supplies	52.63	
	Equipment	(\$46.79)	
	Local Transportation	91.08	
	Specific Assist.	(\$774.14)	
	Miscellaneous	663.32	0
SFSC-04-09004-2	Salaries	670.91	
	Fringes	\$412.79	
	Supplies	\$400.01	
	Local Transp.	(\$16.78)	1466.93
SFSC-0409004-3	Salaries	(\$102.54)	
	Fringes	497.26	
	Supplies	-19.79	
	Local Transp	26.88	\$401.81
	Total	\$1,868.74	
	Less amount not paid	-380.23	SFSC-FY05
		\$1,488.51	

CORY Place, Inc.
Schedule of Audited Contracts
Schedule B

Contract Name	Fiscal Year	Amount
R-02-09001	2005	\$140,162
R-06-09001-1	2006	140,239.00
SFSC-04-09004-2	2005	13,825.00
SFSC-04-09004-3	2006	15,325.00
Total Contracts		\$309,551